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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 104511 TOSEC 110449

CAIRO FOR DEPUTY SECRETARY FROM KATZ, ACTING

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.)

SUBJECT: SECRETARY KISSINGER'S UNCTAD SPEECH

DRAFT Q'S AND A'S FOR DISTRIBUTION TO PRESS AT TIME OF SECRETARY'S UNCTAD IV SPEECH ARE GIVEN BELOW. THEY HAVE NOT BEEN CLEARED INTERAGENCY. WE BELIEVE THEY SHOULD BE PRECEDED BY A BRIEF TWO TO THREE PAGE SUMMARY OF THE SPEECH WHICH WE WOULD PREPARE WHEN SPEECH TEXT HAS BEEN AGREED.

1. Q: WHAT ARE THE AREAS WHICH THE SECRETARY BELIEVES REQUIRE PRIORITY ATTENTION?

A: THE SECRETARY STRESSED FOUR KEY AREAS FOR FURTHER WORK TO HELP MEET THE PROBLEMS OF THE DEVELOPING COUNTRIES.

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HE CALLED FOR:

-. A COMPREHENSIVE PROGRAM OF RESOURCE DEVELOPMENT, TRADE

AND STABILIZATION.

-- A FAR-REACHING LONG-TERM PROGRAM TO ACCELERATE TECHNOLOGY TRANSFER.

-- RELIEF OF THE BALANCE OF PAYMENTS PROBLEMS OF INDIVIDUAL DEVELOPING COUNTRIES.

-- ATTENTION TO THE SPECIAL NEEDS OF THE POOREST COUNTRIES.

HE MADE SPECIFIC PROPOSALS IN EACH OF THESE AREAS.

RESOURCE ISSUES.

2. Q: WHAT ARE THE KEY ELEMENTS OF THE SECRETARY'S COMPREHENSIVE APPROACH TO RESOURCE ISSUES?

A: 1) A NEW INTERNATIONAL INSTITUTION, THE INTERNATIONAL RESOURCES BANK, TO DEVELOP PROJECTS IN LDCS AND ASSURE EQUITABLE SHARING OF THE BENEFITS. 2) IMPROVE CONDITIONS OF TRADE AND INVESTMENT IN COMMODITY MARKETS, ON A CASE-BY-CASE BASIS, AND REDUCE EXCESSIVE PRICE FLUCTUATIONS. 3) STABILIZE THE EXPORT EARNINGS OF DEVELOPING COUNTRIES. 4) IMPROVE ACCESS TO MARKETS FOR RAW AND PROCESSED COMMODITIES AND RELIABLE ACCESS TO SUPPLY FOR CONSUMERS.

3. Q: HOW DOES THE SECRETARY'S COMPREHENSIVE APPROACH DIFFER FROM THE UNCTAD INTEGRATED PROGRAM?

A: THE PRIME DIFFERENCES ARE THREEFOLD. 1) WE DO NOT BELIEVE THAT BUFFER STOCKS AGREEMENTS ARE NEEDED FOR VIRTUALLY ALL PRIMARY COMMODITIES; 2) WE DO NOT BELIEVE THAT A COMMON FUND TO FINANCE SUCH STOCKS IS NEEDED; 3) WE BELIEVE MEASURES ARE NEEDED TO ASSURE SUSTAINED INVESTMENT IN RAW MATERIAL DEVELOPMENT TO MEET RISING GLOBAL NEEDS.

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WERECOGNIZE THAT BUFFER STOCK AGREEMENTS MAY HAVE IMPORTANT ADVANTAGES OVER OTHER COMMODITY STABILIZATION ARRANGEMENTS. THEY DO NOT CONSTRAIN PRODUCTION BUT SMOOTH IT, SO THAT CAPACITY NEED NOT BE IDLE WHEN DEMAND IS DEPRESSED OR OVERTAXED WHEN DEMAND PEAKS. THEY PERMIT LOWER COST PRODUCERS TO EXPAND OUTPUT AND THE PATTERN OF PRODUCTION TO SHIFT IN RESPONSE TO CHANGING COSTS. THEY PERMIT THE CONSUMER TO BUY WHERE HE CHOOSES. THEY MAY, HOWEVER, INVOLVE VERY HEAVY INVESTMENT COSTS. AND THEY ARE NOT A REMEDY IN ALL INSTANCES.

FOR SOME COMMODITIES THE DOMINANT PROBLEM IS NOT INSTABILITY BUT COMPETITION FROM SYNTHETICS, OR SLUGGISH SECULAR DEMAND, OR OVERPRODUCTION AS NEW SUPPLIERS COME ON THE MARKET. THE REMEDIES FOR THESE PROBLEMS WOULD NOT BE BUFFER STOCKS BUT OTHER MEASURES INCLUDING DIVERSIFICATION, IMPROVING PRODUCTIVITY, AND ENCOURAGING CONSUMPTION.

WHERE BUFFER STOCK ARRANGEMENTS ARE INTERNATIONALLY AGREED, WE BELIEVE THEY CAN BE FINANCED IN A VARIETY OF WAYS, INCLUDING DIRECT CONTRIBUTIONS BY MEMBERS, EXPORT TAX (AS IN THE CASE OF COCOA), COMMERCIAL BORROWING GUARANTEED BY MEMBERS, AND IN OTHER WAYS. HOW EACH BUFFER STOCK WOULD BE FINANCED SHOULD BE DETERMINED BY THE MEMBERS OF THE AGREEMENT HAVING REGARD TO THE CIRCUMSTANCES IN EACH CASE.

4. Q: WHY IS A NEW INSTITUTION -- THE PROPOSED INTERNATIONAL RESOURCES BANK -- NEEDED TO ENCOURAGE INVESTMENT IN OIL, GAS AND MINERAL DEVELOPMENT IN LDCS?

A: SUSTAINED INVESTMENT IN RAW MATERIAL DEVELOPMENT, ESPECIALLY OIL, GAS AND MINERAL DEVELOPMENT, IS NECESSARY TO MEET RISING WORLD NEEDS. HOWEVER, THE SENSITIVITY OF MANY DEVELOPING COUNTRIES TO FOREIGN OWNERSHIP OF THEIR SUBSOIL RESOURCES, AND THE POSSIBILITY OF HARASSMENT AND EXPROPRIATION AFTER THE PROJECTS HAVE MATURED, ARE A DETERRENT TO FOREIGN INVESTMENT IN RESOURCE DEVELOPMENT IN LDCS. HOST GOVERNMENTS AS WELL AS FOREIGN INVESTORS NEED MORE RELIABLE ASSURANCES OF EQUITABLE TREATMENT.
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IN SOME SITUATIONS, NEW FORMS OF INVESTMENT ARE NEEDED TO OVERCOME THE MUTUAL RELUCTANCE OF INVESTORS AND LDC GOVERNMENTS, ARRANGEMENTS THAT MULTILATERALIZE RISKS, INVOLVE HOST GOVERNMENT PARTICIPATION IN THE PROJECT, AND ASSURE THE INVESTOR OF A FLOW OF SUPPLY AS A RETURN ON HIS INVESTMENT.

THE PROPOSED INTERNATIONAL RESOURCES BANK WOULD HELP TO MEET THESE NEEDS.

5. Q: WHAT WOULD BE THE RELATIONSHIP OF THE IRB TO THE PRIVATE INVESTOR AND THE HOST COUNTRY GOVERNMENT?

A: EACH PROJECT SUPPORTED BY THE IRB WOULD BE THE SUBJECT OF A TRILATERAL CONCESSION AGREEMENT IN WHICH THE FOREIGN INVESTOR (OR A CONSORTIUM OF PRIVATE INVESTORS), THE HOST COUNTRY GOVERNMENT, AND THE IRB WOULD PARTICIPATE. THIS CONCESSION AGREEMENT WOULD SPECIFY MUTUAL COMMITMENTS SUCH AS:

-- AN AGREED PLAN FOR PREPRODUCTION ACTIVITIES TO COMPLETE TECHNICAL AND COMMERCIAL EVALUATION OF THE PROJECT;

-- THE BASIS FOR FINANCING THE PROJECT, INCLUDING PROJECT BONDS TO BE ISSUED BY THE IRB ON BEHALF OF THE PROJECT AND EQUITY TO BE SUPPLIED BY THE PROJECT CONSORTIUM, THE HOST COUNTRY, OR OTHERS;

-- A FORMULA FOR SHARING THE PRODUCTION FROM THIS INVESTMENT, WITH FIRST PRIORITY TO HOLDERS OF THE PROJECT BONDS AND THE BALANCE SPLIT BETWEEN THE PROJECT CONSORTIUM AND THE HOST COUNTRY;

-- THE MANNER IN WHICH THE PROJECT CONSORTIUM WOULD UNDERTAKE TO DEVELOP HOST COUNTRY MANAGERIAL AND TECHNOLOGICAL CAPACITY;

-- PERFORMANCE AND PAYMENT GUARANTEES BY BOTH THE HOST GOVERNMENT AND THE PRIVATE FIRMS IN THE CONSORTIUM.

6. Q: WOULD THE IRB INVEST ITS OWN MONEY?

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A: THE IRB WOULD NOT ITSELF FINANCE THE PROJECTS NOR UNDERWRITE COMMERCIAL RISKS. IT WOULD ISSUE PROJECT BONDS SECURED BY A LIEN ON FUTURE OUTPUT AND PURCHASED BY THE CONSORTIUM AND OTHER INVESTORS. IT WOULD HAVE PAID-IN CAPITAL OF DOLLARS ONE BILLION, CONTRIBUTED BY GOVERNMENTS, AS A LOSS RESERVE IN THE EVENT OF NON-PERFORMANCE BY THE HOST GOVERNMENT OR CONSORTIUM.

7. Q: CAN YOU EXPLAIN THE QUOTE COMMODITY UNQUOTE BONDS WHICH THE SECRETARY SAID WOULD BE ISSUED TO FINANCE RESOURCE PROJECTS?

A: EACH PROJECT COULD BE FINANCED IN A VARIETY OF WAYS BUT ONE IMPORTANT NEW MEANS OF FINANCING WOULD BE BY COMMODITY BONDS. THESE BONDS WOULD BE BACKED BY A LIEN

ON FUTURE PRODUCTION. THEY WOULD BE SOLD PRIMARILY TO PRIVATE FIRMS PARTICIPATING IN THE PROJECT. THEY WOULD BE RETIRED ON MATURITY BY DELIVERY OF THE COMMODITY (A PRICE FORMULA WOULD NEED TO BE AGREED AT THE TIME OF ISSUANCE OF THESE BONDS). THUS, A STEEL COMPANY PARTICIPATING IN AN IRON ORE DEVELOPMENT PROJECT WOULD RECEIVE IRON ORE IN PAYMENT FOR THE COMMODITY BONDS IT HAD PURCHASED. IN EFFECT, PRIVATE COMPANIES WHICH ARE INTERESTED IN ACQUIRING RAW MATERIALS FOR FURTHER FABRICATION AND MARKETING WOULD HAVE AN ALTERNATIVE TO EQUITY CAPITAL IN THE FORM OF COMMODITY BONDS WHICH ARE NOT

SUBJECT TO EXPROPRIATION.

8. Q: WHAT WOULD THE IRB DO THAT THE WORLD BANK GROUP DOES NOT NOW DO?

A: THE IRB WOULD OPERATE DIFFERENTLY FROM THE WORLD BANK IN THESE RESPECTS: FIRST, IT WOULD PARTICIPATE AS A PARTY TO THE TRILATERAL CONCESSION AGREEMENT. SECOND, IT WOULD RAISE FUNDS ON A PROJECT-BY-PROJECT BASIS IN A MANNER TAILORED TO THE PARTICULAR PROJECT FINANCED, WITH THE PROCEEDS OF BOND SALES BEING TURNED OVER TO THE PROJECT. THIRD, IT WOULD SECURE LOANS BY LIENS ON THE PRODUCTION FROM A SPECIFIC PROJECT.

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THE IRB COULD, HOWEVER, OPERATE UNDER SOME FORM OF ASSOCIATION WITH THE WORLD BANK GROUP. THE FORM OF THE ASSOCIATION WOULD BE NEGOTIATED BY THE PARTICIPATING COUNTRIES. AN ASSOCIATION WITH THE WORLD BANK GROUP COULD PROVIDE EFFECTIVE MANAGEMENT OF THE INSTITUTION

9. Q: WHAT IS THE IRB ROLE IN FINANCING BUFFER STOCKS?

A: THE PRIMARY FUNCTION OF THE IRB IS TO PROMOTE INVESTMENTS IN RESOURCE DEVELOPMENT IN LDCS. HOWEVER, WE WOULD BE PREPARED TO CONSIDER THE IRB AS A SUPPLEMENTAL AVENUE OF FINANCING FOR INTERNATIONALLY AGREED BUFFER STOCKS, IN THOSE CASES WHERE OTHER SOURCES OF FINANCE SUCH AS EXPORT TAXES, COMMERCIAL BORROWING, DRAWINGS ON THE IMF BUFFER STOCK FACILITY, ETC. SHOULD PROVE INADEQUATE.

10. Q: WHAT IS THE COMPENSATORY FINANCING FACILITY OF THE IMF AND HOW HAS IT BEEN LIBERALIZED SINCE THE SECRETARY'S PROPOSAL TO THE UN 7TH SPECIAL SESSION?

A: MEMBERS OF THE IMF, PARTICULARLY PRIMARY EXPORTERS, ENCOUNTERING PAYMENTS DIFFICULTIES BECAUSE OF SHORTFALLS IN THEIR EXPORT EARNINGS MAY DRAW ON THE FUND WHEN THE SHORTFALL IS OF A SHORT TERM NATURE AND IS LARGELY ATTRIBUTABLE TO CIRCUMSTANCES BEYOND THE CONTROL OF THE MEMBER.

DRAWINGS FOR THIS PURPOSE MAY NOT EXCEED 50 PERCENT OF A MEMBER'S QUOTA IN THE IMF IN ANY TWELVE MONTH PERIOD (PRIOR TO LIBERALIZATION THE LIMIT WAS 25 PERCENT OF QUOTA) OR 75 PERCENT OF QUOTA OUTSTANDING AT ANY ONE TIME (PRIOR TO LIBERALIZATION THE LIMIT WAS 50 PERCENT OF QUOTA).

THE DRAWINGS ON THE IMF UNDER THE LIBERALIZED FACILITY HAVE BEEN ABOUT \$800 MILLION SINCE JANUARY 1 THIS YEAR,

AND THE FUND ESTIMATES THAT TOTAL DRAWINGS THIS YEAR UNDER THE FACILITY WILL EXCEED TOTAL DRAWINGS IN THE PREVIOUS THIRTEEN YEARS OF THE FACILITY'S EXISTENCE.

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11. Q: WHAT IS THE IMF TRUST FUND?

A: A SPECIAL TRUST FUND IS BEING CREATED IN THE IMF TO PROVIDE CONCESSIONAL BALANCE OF PAYMENTS FINANCING TO THE POOREST MEMBER COUNTRIES, THOSE WITH PER CAPITA INCOME NOT EXCEEDING ABOUT 360 DOLLARS. THE TRUST FUND WILL BE FINANCED WITH PROFITS FROM THE SALE OF A PORTION OF IMF GOLD OVER A 4 YEAR PERIOD. ABOUT 1.5-2 BILLION DOLLARS MAY BE REALIZED. THE MODALITIES OF GOLD SALES AND TRUST FUND OPERATIONS ARE BEING WORKED OUT IN THE IMF WHICH WILL ALLOW THE TRUST FUND TO BEGIN OPERATIONS SHORTLY.

IF RESOURCES OF THE TRUST FUND SHOULD PROVE INADEQUATE FOR PROVIDING BALANCE OF PAYMENTS ASSISTANCE TO LOW INCOME COUNTRIES, THE U.S. WOULD BE PREPARED TO JOIN IN A REVIEW OF THE ADEQUACY OF TRUST FUND RESOURCES.

TECHNOLOGY TRANSFER

12. Q: WHAT ARE THE KEY ELEMENTS OF THE U.S. PROPOSALS IN THE AREA OF TECHNOLOGY TRANSFER?

A: THE U.S. PROPOSAL ADDRESSES SIX CRITICAL ASPECTS OF THE TECHNOLOGY TRANSFER PROCESS. THEY ARE:

(1) STRENGTHENING RESEARCH AND DEVELOPMENT CAPACITY IN LDCS;

(2) ADAPTING EXISTING TECHNOLOGY TO LDC NEEDS;

(3) ENCOURAGING TECHNOLOGY TRANSFER THROUGH PRIVATE SOURCES;

(4) STRENGTHENING THE MECHANISMS FOR THE EXCHANGE AND DISSEMINATION OF TECHNOLOGICAL INFORMATION;

(5) PROVIDING TRAINING FOR LDC TECHNICIANS; AND

(6) PROVIDING TECHNICAL ADVISORY SERVICES TO STRENGTHEN LDC TECHNOLOGICAL CAPABILITIES. (NOTE THIS
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MAY BE REVISED.)

13. Q: HOW WILL THIS PROGRAM ADDRESS THE PROBLEMS WHICH ARE PERCEIVED BY LDCS TO INHIBIT THE TECHNOLOGY TRANSFER PROCESS?

A: THE U.S. SEES THE TRANSFER OF TECHNOLOGY AS A (BEGIN UNDERLINE) FLOW (END UNDERLINE) OF INFORMATION, EQUIPMENT AND SKILLS WHICH MUST PROCEED THROUGH THREE FUNDAMENTAL STAGES: (1) RESEARCH AND DEVELOPMENT OF TECHNOLOGY, (2) THE MECHANISMS THROUGH WHICH TECHNOLOGY IS TRANSFERRED TO LDCS, AND (3) THE LOCAL IMPLEMENTATION OF EXTERNALLY ACQUIRED TECHNOLOGY WITHIN LDCS. IF PROBLEMS ARISE AT ANY STAGE WITHIN THIS PROCESS, THE FLOW OF TECHNOLOGY WILL BE IMPEDED. THE LDCS HAVE PERCEIVED PROBLEMS AT EACH STAGE. THEY FEEL THAT THEIR OWN RESEARCH AND DEVELOPMENT CAPABILITIES ARE TOO LIMITED AND THAT MOST R AND D IS INADQUATE TO THEIR NEEDS; THAT THE TRANSFER MECHANISMS THROUGH WHICH THEY ACQUIRE TECHNOLOGY ARE TOO RESTRICTIVE AND COSTLY; AND THAT THEY LACK THE INFORMATION, TRAINING FACILITIES AND EXPERIENCED PERSONNEL TO SUCCESSFULLY IMPLEMENT TECHNOLOGY ONCE ACQUIRED. THE SIX ELEMENTS OF THE U.S. PROGRAM ARE DESIGNED TO IMPROVE THE TECHNOLOGY TRANSFER PROCESS IN ALL THREE STAGES AND WILL DIRECTLY AND SIMULTANEOUSLY ADDRESS THE PROBLEMS THAT LDCS FACE AT EACH STAGE.

14. Q: WHAT MEASURES WILL THE U.S. PROPOSE TO STRENGTHEN THE RESEARCH AND DEVELOPMENT CAPACITY OF LDCS?

A: THE U.S. WILL CONVENE A NATIONAL CONFERENCE NEXT YEAR TO MOBILIZE THE BEST TALENTS OF AMERICAN UNIVERSITIES, FOUNDATIONS AND ENTERPRISE TO IDENTIFY THE KEY RESEARCH REQUIREMENTS OF LDCS AND TO EXPLORE MEANS FOR PROVIDING U.S. ASSISTANCE TO LDCS IN THIS AREA. WE WILL ALSO ACTIVELY SUPPORT THE WORK OF INTERNATIONAL INSTITUTES THAT HAVE BEEN MANDATED TO CARRY OUT RESEARCH WHICH IS RELEVANT TO LDC NEEDS. THE INTERNATIONAL INDUSTRIALIZATION INSTITUTE, THE INTERNATIONAL ENERGY INSTITUTE, AND THE NETWORK OF INTERNATIONAL AGRICULTURAL RESEARCH

INSTITUTES WILL ALL RECEIVE U.S. SUPPORT.

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15. Q: WHAT MEASURES WILL THE U.S. PROPOSE TO FACILITATE THE ADAPTATION OF EXISTING TECHNOLOGY TO LDC NEEDS?

A: BEYOND THE WORK WHICH CAN BE DONE BY INTERNATIONAL RESEARCH INSTITUTES IN THIS AREA, THE U.S. WILL ENGAGE IN BILATERAL PROGRAMS TO ENSURE THAT ADVANCED TECHNOLOGY DEVELOPED IN THE U.S. CAN BE APPLIED TO LDC NEEDS. TWO

AREAS IN WHICH MAJOR CONTRIBUTIONS CAN BE MADE ARE IN THE
FIELDS OF SATELLITE TECHNOLOGY AND WATER RESOURCES
TECHNOLOGY.

16. Q: WHAT MEASURES WILL THE U.S. PROPOSE TO ENCOURAGE
TECHNOLOGY TRANSFER THROUGH PRIVATE SOURCES?

A: THE U.S. BELIEVES THAT THE MULTINATIONAL
CORPORATION (MNC) CAN EFFECTIVELY PROVIDE PACKAGES OF
TECHNOLOGY AND THE REQUIRED CAPITAL AND MANAGEMENT SKILLS
NEEDED TO ACHIEVE MAXIMUM BENEFIT TO LDCS. TO ENSURE
THAT MNCs CONTINUE TO PLAY A CONSTRUCTIVE ROLE WITHIN
THE TECHNOLOGY TRANSFER PROCESS, WE WILL SUPPORT A SYSTEM
OF VOLUNTARY GUIDELINES WHICH CAN SERVE AS A BASIS FOR
INTERNATIONAL COOPERATION. ESPECIALLY WHERE RESTRICTIVE
BUSINESS PRACTICES, WHEREVER THEY MAY ORIGINATE,
ADVERSELY AFFECT INTERNATIONAL TRADE, WE WILL SUPPORT
INTERNATIONAL EFFORTS TO REDUCE THESE PRACTICES THROUGH
SUCH MEASURES AS MODEL ANTITRUST LEGISLATION, EXCHANGE
OF INFORMATION, AND THE ADOPTION OF EQUITABLE PRINCIPLES
ON FAIR COMPETITION. THE PROPOSED INTERNATIONAL
RESOURCES BANK HAS SPECIFIC ELEMENTS WHICH CAN HELP
ASSURE THAT TECHNOLOGY IS TRANSFERRED TO LDCS BY PRIVATE
COMPANIES ON A FAIR AND EQUITABLE BASIS.

17. Q: WILL THE U.S. PROPOSE ANY MEASURES THAT CAN
ENHANCE THE TRANSFER OF TECHNOLOGY TO LDCS OUTSIDE OF
THE MNC CONTEXT?

A: WHILE THE MNC WILL REMAIN A MAJOR CONDUIT FOR
TECHNOLOGY TRANSFER, THE U.S. WILL SUPPORT ALTERNATIVE
MEANS FOR THE DISSEMINATION OF TECHNOLOGICAL INFORMATION
TO LDCS. THE U.S. WILL SUPPORT THE EFFORTS OF THE UN'S
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INTERNATIONAL CENTER FOR THE EXCHANGE OF TECHNICAL
INFORMATION IN THIS REGARD. TO ASSURE THAT THE U.S.
PARTICIPATES FULLY IN THESE EFFORTS, WE WILL INVENTORY
OUR NATIONAL TECHNOLOGICAL INFORMATION AND MAKE THIS
AVAILABLE TO LDCS AND TO THE UN CONSULTANTS. AS AN
EXAMPLE OF OUR EFFORTS, THE U.S. PLANS TO MAKE PUBLIC
THE RESULTS OF OUR INVESTIGATIONS ON DEVELOPING TECHNOLOGY

FOR MINING DEEP SEABEDS, AND WILL ASK LDC SCIENTISTS,
MANAGERS AND TECHNICIANS TO PARTICIPATE IN MANY OF OUR
PROJECTS.

18. Q: WHAT MEASURES WILL THE U.S. PROPOSE TO PROVIDE
TRAINING FOR LDC TECHNICIANS?

A: THE U.S. WILL SUPPORT THE CREATION OF REGIONAL

TRAINING CENTERS WITHIN LDCS TO PRODUCE THE EXPERTS AND TECHNICIANS NEEDED TO UTILIZE ACQUIRED TECHNOLOGY SUCCESSFULLY. WITHIN THE U.S., WE WILL ALSO ENCOURAGE OUR UNIVERSITIES, RESEARCH INSTITUTES AND INDUSTRIAL TRAINING SCHOOLS TO CREATE SPECIAL VOCATIONAL AND ACADEMIC TRAINING CURRICULA WHICH ARE GEARED TO THE SPECIAL NEEDS OF LDCS; TO PROVIDE TRAINING IN LDCS; AND TO COOPERATE WITH LDC REGIONAL TRAINING CENTERS.

19. Q: WILL THE U.S. SUPPORT THE CREATION OF INTERNATIONAL TECHNOLOGICAL ADVISORY SERVICES?

A: THE U.S. STRONGLY ENDORSES THE PROPOSED UNCTAD ADVISORY SERVICE AS A MEANS TO STRENGTHEN LDC CAPABILITIES TO IDENTIFY, SELECT AND NEGOTIATE FOR TECHNOLOGY. FURTHERMORE, THE U.S. PLANS TO STATION TECHNOLOGY ADVISERS IN SELECTED DEVELOPING COUNTRIES TO ASSIST THEM IN FINDING THE BEST SOURCES AND FORM OF U.S. TECHNOLOGY. WE HOPE TO EXPAND THIS PROGRAM TO CREATE A TECHNOLOGY CORPS WHICH WILL SEND TECHNOLOGY EXPERTS, SCIENTISTS AND MANAGERS TO LDCS TO WORK ON SPECIFIC PROJECTS AND WITHIN TRAINING CENTERS.

20. Q: WILL THE U.S. SUPPORT A CODE OF CONDUCT FOR TECHNOLOGY TRANSFER?

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A: THE U.S. SUPPORTS VOLUNTARY GUIDELINES WHICH WOULD FACILITATE TECHNOLOGY TRANSFER AND STRENGTHEN THE ABILITY OF LDCS TO EFFECTIVELY SELECT, NEGOTIATE AND UTILIZE IMPORTED TECHNOLOGY, AS WELL AS INSURE THAT PRIVATE ENTERPRISES ARE TREATED FAIRLY. HOWEVER, WE ARE AWARE OF THE LDC DESIRE TO CREATE A LEGALLY-BINDING TREATY. WHILE THE U.S. WILL NOT SUPPORT A LEGALLY-BINDING TREATY, WE SHALL CONTINUE TO ENGAGE IN DISCUSSIONS ON THE CODE OF CONDUCT BUT WE CANNOT LET THIS ISSUE, WHICH WILL NOT BE RESOLVED EASILY, DIVERT OUR ATTENTION FROM THE ACTUAL PROBLEMS AT HAND. THE SIX-POINT PROGRAM PRESENTED BY THE U.S. REFLECTS THIS DESIRE TO MOVE FORWARD CONSTRUCTIVELY ON ACCELERATING THE TRANSFER OF TECHNOLOGY TO THE BENEFIT OF THE DEVELOPING COUNTRIES.

BALANCE OF PAYMENTS PROBLEMS

21. Q: WHAT ARE THE SECRETARY'S PROPOSALS TO DEAL WITH INDIVIDUAL BALANCE OF PAYMENTS PROBLEMS OF DEVELOPING COUNTRIES?

A: THE SECRETARY CALLED FOR INTERNATIONAL ACTION IN THREE AREAS:

-- TO INCREASE THE VOLUME AND IMPROVE THE QUALITY OF RESOURCES FLOWS TO LDCS.

-- TO INSURE THAT PRIVATE MARKETS CONTINUE TO PLAY A SUBSTANTIAL ROLE IN PROVIDING DEVELOPMENT CAPITAL.

-- TO GIVE RENEWED ATTENTION TO COUNTRIES EXPERIENCING CRITICAL DEBT PROBLEMS.

22. Q: HOW WOULD UNTYING AID IMPROVE THE QUALITY OF ASSISTANCE?

A: THE REAL VALUE OF THE DEVELOPMENT LOANS PROVIDED TO THE DEVELOPING COUNTRIES BY THE BILATERAL FOREIGN AID DONORS WOULD BE ENHANCED IF THE RECIPIENTS WERE FREE TO USE THESE RESOURCES FOR PROCUREMENT IN THE MOST COM-
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PETITIVE MARKETS. MOST OF THESE DEVELOPMENT LOANS ARE NOW RESTRICTED TO PROCUREMENT OF GOODS AND SERVICES FROM THE DONOR COUNTRY (WHERE THEY MAY BE MORE COSTLY) OR, IN THE CASE OF THE U.S. AND SOME OTHER DONORS, FROM OTHER DEVELOPING COUNTRIES.

IN 1970, THE UNITED STATES PROPOSED THAT ALL DONOR COUNTRIES WORK IN CONCERT TO UNTIE THEIR DEVELOPMENT LOANS. DISCUSSION AMONG DONOR COUNTRIES PROGRESSED AT A PROMISING PACE UNTIL THE INTERNATIONAL MONETARY DIFFICULTIES OF SUMMER 1971 FORCED THEIR SUSPENSION.

THE SUCCESSFUL CONCLUSION OF A RECIPROCAL UNTYING UNDERSTANDING AMONG DONOR COUNTRIES WILL INCREASE IMPORTANTLY THE USEFULNESS OF AID LOANS TO THE DEVELOPING COUNTRIES AND HELP OFFSET THE DECLINE IN REAL AID RESOURCES AVAILABLE TO THEM.

23. Q: WHY DOES THE UNITED STATES INSIST ON THE "CASE-BY-CASE" APPROACH TO DEBT RELIEF?

A: PAST EXPERIENCE HAS SHOWN A WIDE DIVERSITY OF DEBT SITUATIONS CALLING FOR DIFFERENT TYPES OF REMEDIAL

ACTION. THUS, ELIGIBILITY FOR DEBT RELIEF HAS TRADITIONALLY BEEN BASED ON AN EXAMINATION OF INDIVIDUAL DEBT PROBLEMS AS THEY ARISE.

THE UNITED STATES BELIEVES THAT THIS "CASE-BY-CASE" APPROACH MUST BE MAINTAINED. WE BELIEVE GENERALIZED RELIEF WOULD NOT BE EQUITABLE. THERE WOULD BE LITTLE CORRELATION WITH EITHER FINANCING NEEDS OR PERFORMANCE CRITERIA. MOST OF THE POOREST DEVELOPING COUNTRIES,

PARTICULARLY THE SMALL COUNTRIES, DO NOT HAVE A LARGE ACCUMULATION OF DEBT AND WOULD, FOR EXAMPLE, GAIN LITTLE IN ABSOLUTE TERMS. MOREOVER, WE BELIEVE THAT BY UPSETTING THE TRADITIONAL DEBTOR/CREDITOR RELATIONSHIP GENERALIZED RELIEF DETRACTS FROM OUR MAJOR OBJECTIVES OF 1) IMPROVING DEVELOPING COUNTRY ACCESS TO PRIVATE CAPITAL MARKETS AND 2) INCREASING THE FLOW OF CONCESSIONAL ASSISTANCE TO THE POOREST COUNTRIES.

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WE WILL CONSIDER DEBT RELIEF FOR INDIVIDUAL COUNTRIES THAT APPROACH CREDITORS FOR RELIEF BECAUSE THEY ARE EXPERIENCING ACUTE DEBT SERVICING DIFFICULTIES. GENERALLY, WE BELIEVE IT IS BETTER TO TAKE UP THESE MATTERS IN A MULTILATERAL CONTEXT, AND WE THINK THOSE SEEKING DEBT RELIEF SHOULD BE PREPARED TO UNDERTAKE ECONOMIC MEASURES THAT WILL ENABLE THEM TO IMPROVE THEIR DEBT SERVICING CAPACITY. THE UNITED STATES HAS PARTICIPATED IN A SIGNIFICANT NUMBER OF INTERNATIONAL DEBT RESCHEDULING EXERCISES OF THIS KIND IN THE PAST AND WE ARE PREPARED TO CONTINUE TO DO SO IN THE FUTURE.

24. Q: WHAT IS THE U.S. POSITION ON THE "MANILA DECLARATION" PROPOSAL TO CONSOLIDATE COMMERCIAL DEBT, POSSIBLY VIA A MULTILATERAL FINANCIAL INSTITUTION, AND RESCHEDULE PAYMENTS OVER A PERIOD OF AT LEAST 25 YEARS?

A: WE BELIEVE THE PROPOSAL IS UNNECESSARY SINCE THE PRINCIPAL COMMERCIAL BORROWERS ARE LARGELY COUNTRIES THAT HAVE RELATIVELY PRODUCTIVE AND DIVERSIFIED ECONOMIES AND THE ECONOMIC POTENTIAL TO SERVICE COMMERCIAL CREDITS AS THEY ACCUMULATE. MOREOVER, THE NEED FOR COMMERCIAL BORROWING DURING 1976 AND 1977 WILL PROBABLY BE SIGNIFICANTLY BELOW THE 1975 LEVEL.

WE ALSO BELIEVE THE PROPOSAL IS TOO COSTLY, POSSIBLY INVOLVING AS MUCH AS \$10-15 MILLION TO FUND THE FINANCIAL INTERMEDIARY NECESSARY TO CONSOLIDATE THE DEBT.

IN ADDITION, THE PROPOSAL IS A DIVERSION FROM THE

PRIMARY NEED OF COMMERCIAL BORROWERS WHICH IS TO SECURE IMPROVED ACCESS TO PRIVATE CAPITAL MARKETS.

25. Q: WHAT IS WRONG WITH A DEBT MORATORIUM FOR THE MOST SERIOUSLY AFFECTED COUNTRIES (MSAS)?

A: THE UNITED STATES IS SYMPATHETIC TO THE PLIGHT OF THE MOST SERIOUSLY AFFECTED COUNTRIES. WE BELIEVE, HOWEVER, THAT EFFORTS TO ALLEVIATE THEIR FINANCING

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PROBLEMS MUST FOCUS ON IMPROVING AND EXPANDING NEW CONCESSIONAL AID FLOWS, AS FOR EXAMPLE, THROUGH THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT, RATHER THAN ON GENERALIZED DEBT RELIEF.

IMMEDIATELY AVAILABLE CONCESSIONAL RESOURCES FOR DEVELOPING COUNTRIES ARE A VERY SCARCE COMMODITY, AND WE THINK THEY SHOULD BE ALLOCATED AS EFFICIENTLY AS POSSIBLE, ON THE BASIS OF REAL NEED. ANY ACROSS-THE-BOARD APPROACH, SUCH AS A DEBT MORATORIUM, WOULD INEVITABLY REDISTRIBUTE CONCESSIONAL ASSISTANCE IN AN ARBITRARY FASHION AND WITHOUT REFERENCE TO POLICIES OR NEEDS. IT WOULD PROVIDE LESS HELP TO THE MOST NEEDY COUNTRIES THAN WOULD A MORE RATIONAL STRUCTURE. IN FACT, MANY OF THE POOREST COUNTRIES, SIMPLY BECAUSE THEY ARE POOR AND THEIR GROWTH PROSPECTS APPEAR LIMITED, HAVE VERY LITTLE DEBT. SO IF ONE DISTRIBUTES RESOURCES ON THE BASIS OF ACCUMULATED DEBT, THESE COUNTRIES WILL BE THE LOSERS.

POOREST COUNTRIES

26. Q: THE SECRETARY PROPOSED THAT ALL DONOR COUNTRIES AGREE TO PROVIDE DEVELOPMENT ASSISTANCE TO THE "RELATIVELY LEAST DEVELOPED COUNTRIES" OF THE UNCTAD LIST ON A GRANT BASIS. WHICH ARE THESE COUNTRIES?

A: ON THE BASIS OF CERTAIN CRITERIA -- GNP PER CAPITA, LITERACY, INDUSTRIALIZATION -- THE UN HAS DEVELOPED A LIST OF THE RELATIVELY LEAST DEVELOPED COUNTRIES. THERE ARE CURRENTLY 28 COUNTRIES ON THAT LIST.

27. Q: HOW MUCH ASSISTANCE DOES AID NOW PROVIDE TO THESE COUNTRIES AND WHAT PROPORTION IS CURRENTLY ON A GRANT BASIS?

A. FOR FY 1977, ADMINISTRATION HAS PROPOSED A TOTAL PROGRAM OF DOLS 170 MILLION FOR THE 28 COUNTRIES ON THE LIST. OF THE DOLS 170 MILLION, DOLS 55 MILLION OR ONE-

THIRD WOULD BE ON A GRANT BASIS.

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28. Q: WHAT CONGRESSIONAL ACTION WOULD BE REQUIRED TO GIVE EFFECT TO THE PROPOSAL TO PROVIDE ALL DEVELOPMENT ASSISTANCE TO THE RELATIVELY LEAST DEVELOPED COUNTRIES ON A GRANT BASIS?

A: THE ANNUAL APPROPRIATION TO A.I.D. HAS NORMALLY INCLUDED A LIMIT ON THE GRANT PROGRAM. TO CONVERT OUR ASSISTANCE TO THE RELATIVELY LEAST DEVELOPED COUNTRIES TO A GRANT BASIS, PROVISION WOULD HAVE TO BE MADE IN THE FY 1977 APPROPRIATION TO PROVIDE DOLS 115 MILLION MORE IN GRANT FUNDS THAN CURRENTLY IS IN THE BUDGET. THIS, OF COURSE, WOULD BE OFFSET BY A SIMILAR REDUCTION IN LOAN LEVELS.

UNCTAD

29. Q: WHAT IS THE RELATIONSHIP OF UNCTAD TO OTHER BODIES SUCH AS THE CIEC, THE UNGA OR THE MTN?

A: AS AN ORGAN OF THE UN GENERAL ASSEMBLY, UNCTAD HAS SERVED SINCE 1964 AS A FORUM FOR DISCUSSION AND AGREEMENT ON MEASURES TO ADVANCE THE ECONOMIC GROWTH OF DEVELOPING COUNTRIES.

THE CIEC COMMISSIONS, ESTABLISHED LAST YEAR, ARE CONSIDERING MANY OF THE SAME ISSUES AS UNCTAD -- (I.E., TRADE, COMMODITIES, AND DEBT FINANCING). ALTHOUGH THE CIEC IS STILL IN ITS INFANCY, IT HAS ALREADY BEGUN TO COMPLEMENT THE WORK OF UNCTAD. CIEC PROVIDES SMALL REPRESENTATIVE FORUMS FOR PROFESSIONAL EXAMINATION OF THESE ISSUES.

THE MULTILATERAL TRADE NEGOTIATIONS (MTN) HAVE A MORE NARROWLY DEFINED MANDATE OF REDUCING BARRIERS TO TRADE AMONG 93 PARTICIPATING COUNTRIES FROM BOTH THE DEVELOPED AND DEVELOPING WORLD. THE TARGET DATE FOR CONCLUDING THE MTN IS THE END OF 1977. ONLY THE MTN AND THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) HAVE THE AUTHORITY TO NEGOTIATE BINDING COMMITMENTS IN THE TRADE FIELD. THE GATT, WHICH ENTERED INTO FORCE 28 YEARS AGO, REMAINS THE CONFIDENTIAL
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PRINCIPAL MULTILATERAL INSTRUMENT FOR IMPROVING THE WORLD TRADING SYSTEM.

WE BELIEVE THAT ORGANIZATIONS WITH LIMITED MEMBERSHIPS SUCH AS THE CIEC, AND SPECIAL NEGOTIATING MANDATES SUCH AS THE GATT AND THE MTN, WILL CONTINUE TO COMPLEMENT THE ACTIVITIES OF UNCTAD -- AN ORGANIZATION WITH A UNIVERSAL

MEMBERSHIP WHICH FOCUSES ON A WIDE RANGE OF ISSUES RELATED TO TRADE AND DEVELOPMENT. WITHIN THEIR RESPECTIVE JURISDICTIONS, UNCTAD, THE CIEC AND OTHER EXISTING ORGANIZATIONS SHOULD EACH PLAY A SIGNIFICANT ROLE IN CONTINUING THE POSITIVE DIALOGUE WHICH WAS LAUNCHED AT THE SEVENTH

SPECIAL SESSION OF THE UN GENERAL ASSEMBLY. SISCO

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